

LEGISLATIVE AUDIT DIVISION

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TO: Legislative Audit Committee Members
CC: Sheila Stearns, Commissioner of Higher Education
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Dr. Geoffrey Gamble, President, Montana State University (MSU)
Ila Saunders, Internal Audit, MSU
FROM: Angie Grove, Deputy Legislative Auditor, Performance Audits
DATE: May 2007
RE: Performance Audit Follow-up: Assessment of Management Controls Over Procurement Card Use (05P-02), Montana University System

INTRODUCTION

In October 2005, we presented our performance audit discussing controls over procurement card (i.e. procard) use on campuses within the Montana University System (MUS). Procards are credit cards issued to state employees, including university system staff, to use for purchases associated with official state business. The audit report noted that campuses had basic procard controls in place and few significant problems were identified. The report made one recommendation to the Office of Commissioner of Higher Education (OCHE) to direct MUS campuses to clarify procard policies and procedures in certain areas to enhance existing controls

Overview

We received updated procard policies and procedures from all MUS campuses regarding actions taken to implement the report recommendation. Our review of this information found policies and procedures were clarified in an effort to improve procard controls for the areas discussed in the report.

BACKGROUND

In March 2004, OCHE formed an 11 member independent panel to examine The University of Montana's Athletic Department deficit for fiscal year 2003-04. During its review, the panel identified management control weaknesses with the department's use of procards. In response to the panel's actions, OCHE submitted a written request to the Legislative Audit Committee to prioritize a performance audit of campus procard controls.

FOLLOW-UP AUDIT FINDINGS

The following section summarizes the report recommendation and our assessment of the agency's actions to implement the recommendations.

Recommendation #1

We recommend the Office of Commissioner of Higher Education direct campuses to clarify procard policies and procedures to:

- A. Clarify meal and food purchases and assess the potential for allowing procards to be used for meals when employees are in overnight travel status.**
- B. Clarify what constitutes appropriate documentation for ongoing monthly purchases.**
- C. Better define consequences for inappropriate use of procards or not complying with campus procard policies.**
- D. Develop criteria for establishing card limits and document why employees are issued the card limits they are provided.**
- E. Assure more consistency in documenting monthly reviews of procard activities such as signing and dating monthly reviews and documenting follow-up with cardholders.**

Implementation Status: Implemented

Responses obtained from all MUS campuses indicate campuses have taken steps to strengthen/clarify procard policies for the areas identified in the report. These responses included copies of new policies. Based on the information received from each campus, it appears these changes have enhanced campus procard controls. Areas where procard policies were strengthened include clarifying documentation requirements for procard purchases, identifying consequences if procards are used inappropriately, and clarifying when cards can be used for meal purchases. In addition, some campuses increased the extent of supervisor reviews of procard purchases and adjusted individual card limits based on the needs of the cardholder.